

Bulletin

SEMIANNUAL PUBLICATION FOR ACTIVE AND INACTIVE CALSTRS MEMBERS ■ SPRING 2004



Cost to Buy Permissive Service Credit Goes Up July 1

Buying permissive service credit can boost your retirement benefit. But the price is going up substantially on July 1, 2004, so if you're thinking about taking advantage of this program, you should consider doing it now.

The increased cost that starts in July is meant to more accurately reflect the actual cost of the benefit you'll receive. This increase does not affect other types of

service credit, such as a redeposit of refunded contributions or nonqualified service credit, known as "air time."

Are You Eligible?

You can purchase permissive service credit for certain non-CalSTRS activities including:

- Part-time or substitute service in a California public school before you joined CalSTRS
- Out-of-state teaching in a public education system
- Certain military service
- Certain education positions
- Employer-approved leave of absence
- Maternity or paternity leave

A complete list of the types of permissive service credit is given in the brochure *Purchase Additional Service Credit* or at www.calstrs.com. On the Web site, click on *Members*, *Defined Benefit Program*, then *Increasing Your Service Credit*.

myCalSTRS Offers New Features

This spring, new features are available on myCalSTRS.

Currently, as a registered myCalSTRS user, you can view and print your Annual Statement for select years. The new features allow you to check your:

- Mailing address
- Tax withholding information
- One-time death benefit recipient
- Option beneficiary and option number

You can also request Level 2 access to myCalSTRS, which will allow you to update your mailing address and phone number online.

Secure Communication

This summer, myCalSTRS will offer a secure communication feature. This feature provides a way to securely send and receive confidential information or answers to your personal account questions.

Easy Access

Access to myCalSTRS is easy from the CalSTRS Web site at www.calstrs.com. Just click on the *Register* button if you're a first-time user or the *Login* button if you're already registered.

As I mentioned in my last column, we've been seeking your help through surveys and focus groups so we can better tailor our services to match your needs. Although we'll continue to ask for your advice, I wanted to share with you what we've learned so far.

Satisfaction with Membership

About 53 percent of survey respondents were satisfied with their membership in CalSTRS, with the level of satisfaction higher in older age groups. However, more than a third said they were uncertain whether or not they were satisfied. One focus group participant viewed CalSTRS only as the institution that "takes all that money from my paycheck!" Almost 9 percent of respondents were dissatisfied with their CalSTRS membership. The main reasons given for this dissatisfaction were a lack of communication and to a much lesser degree, inadequate benefits.

Communicating with CalSTRS

Many of our survey questions were centered on communicating with CalSTRS. Here's what members had to say:

- There is a growing interest in communicating with us by e-mail. In fact, Member Services is averaging 2,000 e-mails a month.
- One survey revealed that 30.5 percent of active teachers preferred to call CalSTRS between the hours of 3:30 and 6 p.m. Focus groups expressed the same interest in extended hours to call CalSTRS.

CEO Notes

By Jack Ehnes, Chief Executive Officer

- In general, respondents were satisfied with the frequency of communication they have with CalSTRS and thought the information in this newsletter is useful. However, some of our other printed material was seen as too institutional and complicated. Satisfaction levels were highest in the older age groups.
- Most respondents had not used the CalSTRS Web site, but 60 percent said they'd be willing to do business on our Web site in a completely secure environment.

Knowledge About CalSTRS Programs

Our most well-known programs are Service Retirement and Survivor Benefits. However, most respondents had not heard of several CalSTRS programs, including the Cash Balance, Defined Benefit Supplement, Home Loan and Voluntary Investment programs. This was especially true among younger members.

Focusing on You

Members who participated in focus groups told us that they want to feel that CalSTRS representatives are "on their side." They



A handwritten signature in cursive script that reads "Jack Ehnes".

also want convenient, accurate and consistent information that is relevant to their situation.

Participants want more of a partnership with CalSTRS. As one Sacramento teacher put it, "I need someone not to tell me what I need, but to present my options."

What's Next

It's clear from this research that we need to do a better job of reaching out to all of our members and making you aware that we can be an important financial resource throughout your life.

In future editions of this newsletter we'll talk about ways we plan to serve you better, based on the information you're giving us. And we'll continue to ask for your guidance to help you plan a secure and rewarding retirement.

Free Seminars Help You Plan Your Financial Future

Our financial professionals offer two seminars to help you take control of your financial future. Whether you're just starting out or getting closer to retirement, these seminars are a convenient, easy way to learn about CalSTRS benefits and retirement planning.

Demystifying CalSTRS

This one-hour seminar is geared for members in the early stages of their careers who have never attended another CalSTRS seminar and want to learn about their CalSTRS benefits. *Demystifying CalSTRS* is given by CalSTRS staff

and is usually scheduled at the end of a school day.

How to Sign Up for Demystifying CalSTRS

These seminars are scheduled through your district. If you find that your district does not offer a workshop, please have your district representative call our toll free number, 888-394-2060, to arrange for one.

CalSTRS Fundamentals

CalSTRS Fundamentals is a two-hour seminar especially relevant for members in the middle of their careers. If you're 10 to 15 years from retirement or between the ages of 40 and 50, this seminar is for you. We provide information about your benefits in easy-to-understand terms and show you how to make the most of them. A financial planner will also give you the basic financial planning information you need to reach your goals. The seminars are usually scheduled at the end of the school day, but can also be given on Saturday mornings.

How to Sign Up for CalSTRS Fundamentals

Space is limited at all seminars, so it's important to register early. You can also register a family member or friend as your guest. To find a seminar near you, click on *Financial Education Program* under the Members section at www.calstrs.com. You can register online or by calling 888-394-2060.

If you live in an area where a seminar isn't already currently scheduled, call 888-394-2060 and we can schedule one for you "on demand." Please keep in mind that we require a minimum of 15 participants to hold a seminar.

What Members Say About CalSTRS Fundamentals

"It gave me a starting point to put a plan together to suit my own needs." — *Mary, a special education teacher in the Dry Creek School District*

"I was totally ignorant when I retired at 55 and with more knowledge I might have made some wiser choices." — *A retired teacher, Lorrie, came with her husband, Tom, who is still teaching, to help him make good choices before he retires.*

"I think the message of investing in a 403(b) and considering purchasing service credit is very important for people to hear." — *Lorrie's husband, Tom, who teaches in the Black Oak Mine District*

What Members Say About Demystifying CalSTRS

"The information on buying credit was great to get early on. I can't wait to get on the Web site and start crunching the numbers. It was also good to know that I need to think about contributing to a 403(b)." — *Lisa, age 34*

"So clear and understandable. This has been a worry for me—will I have enough? And now I feel relieved." — *Anita, age 37*



RETIREMENT IS LIKE A LONG
VACATION IN LAS VEGAS. THE GOAL
IS TO ENJOY IT TO THE FULLEST,
BUT NOT SO FULLY THAT YOU RUN
OUT OF MONEY.

— JONATHAN CLEMENTS —

How Much Money Will You Need to Retire Stress-Free?

One of the keys to a more comfortable retirement is knowing just how much money you'll need to save. But how many of us take the time to do this? The 2003 Retirement Confidence Survey found that 61 percent of workers have not calculated the income they'll need once they're no longer working.

Workers are planning on one thing, however. They expect to work longer, on average, than current retirees. A quarter say they'll retire at age 65 and 24 percent intend to retire at age 66 or older, a number which is up from 18 percent in 2002. In contrast, the average retiree today reports leaving the work force at age 62. The complete survey is available at www.ebri.org/rcs/2003.

How Much Will You Need?

Many financial experts believe that it will take 80 to 85 percent of your income before retirement to live comfortably during retirement. However, the survey showed that 39 percent of workers expect to live comfortably on less than 60 percent of their current income.

What You Can Do Now

- 1) Figure out how much money you'll need to retire. Calculators on the Internet (see page 5) can help you come up with a ballpark amount.
- 2) Calculate your monthly benefit after retirement by using the Retirement Benefits Calculator under Resources at www.calstrs.com. This calculator shows you how different retirement dates can change your benefit.

- 3) Consider how much money you'll have in your Defined Benefit Supplement account. Two percent of your gross salary goes into this account until 2010. Until you retire, contributions will also go into this account when you earn more than one service credit in a school year. When you retire, you can receive the money in your account as a lump sum or as an annuity if the balance is at least \$3,500.
- 4) Remember that as a California educator you are not contributing to Social Security. This means any Social Security benefits you receive may be reduced. To learn more, call Social Security at 800-772-1213 and ask for information about the Social Security Government Pension Offset

• continued on page 5

Retire *continued from page 4*

and the Windfall Elimination Provision. Or view the information online at www.ssa.gov.

If you'll need more each month than you expect to receive in benefits, here are some ways to help fill the gap:

- Increase your CalSTRS benefit by working longer, buying extra service credit or increasing your salary through a promotion or move. Your benefit is based on your years of service, your age at retirement and your highest compensation. Increase any part of the formula and you'll get a higher monthly retirement benefit.
- Invest in an IRA or 403(b) program such as the CalSTRS Voluntary Investment Program (see below). This allows you to save tax-deferred dollars.
- Learn more about your CalSTRS benefits and financial planning by attending the free CalSTRS seminars described in the story on page 3.

How CalSTRS and VIP Can Help

You may run out of money in Vegas, but as a CalSTRS Defined Benefit member you can never outlive your retirement benefits. We also offer the Voluntary Investment Program to help you save additional pre-tax money.

With VIP you can choose among 12 core mutual funds and more than 4,000 additional mutual funds through a self-managed account. Become a VIP

and you'll also have access to the CitiStreet Advisor Service, which offers free financial advice including:

- A personalized savings and investment strategy
- An opportunity to work one-on-one with a registered investment advisor. The advisors don't receive commissions, so you always get objective advice.
- A profile of your financial resources and retirement goals
- A quarterly progress report

The free financial advice, powered by Financial Engines, can show you if your current savings and investment strategy will help you reach your retirement goals. To order an enrollment kit or find out more about the free advice service, call the CalSTRS VIP information line at 800-699-4032

or go to the VIP section at www.calstrs.com. Call us at 800-228-5453 if your district doesn't permit you to enroll.

The important thing is to not gamble on your future. A little planning during your working years can pay off in a more rewarding retirement.

ONLINE RETIREMENT CALCULATORS

CHOOSE TO SAVE
www.choosetosave.org

AMERICAN ASSOCIATION OF
RETIRED PERSONS
www.aarp.org
(The calculator is under the Money
and Work section of the Web site.)

AMERICAN EDUCATION
SAVINGS COUNCIL
[http://www.asec.org/
toolshm.htm](http://www.asec.org/toolshm.htm)

Address Alert

Be sure that your employer has your current address before June 30. This is the date that school districts send us the addresses they have on file for CalSTRS members. The data is then automatically entered into our system. So even if you've changed your address with us, if you haven't changed it with your employer, your old address will be reentered into our database. If you're not sure your employer has your current

address, check with your human resources office. It's important to keep your address up to date so confidential correspondence such as your annual statement reaches you quickly and securely.





Don't Believe Everything Tom Brokaw Tells You

By Christopher Ailman
Chief Investment Officer

Despite the dour face of Tom Brokaw and some of the other nightly news anchors, the U.S. economy is not as bad as portrayed. Sure, there are pockets of weakness, but the U.S. is doing OK. The key evidence is the rebound in the U.S. stock market. After hitting the lows on October 9, 2002, the broad market climbed nearly 50 percent by the end of 2003 as measured by the Russell 3000 index. The CalSTRS investment portfolio benefited from the improvement in both the U.S. and non-U.S. stock markets to grow to more than \$113 billion in assets in February 2004.

While we always enjoy good news, we must point out that your retirement benefit is NOT based on how well or poorly the investment portfolio performs. Your benefit is a set formula based on your years of service, age at retirement and highest compensation.

YOU CAN REST ASSURED
THAT YOUR PENSION IS
GUARANTEED AND YOUR
PENSION FUND IS SECURE.

That said, the investment portfolio still receives a lot of attention and interest simply because of its huge size. At year's end, the CalSTRS investment portfolio was the third largest public pension fund in the U.S. We are well ahead of General Motors, G.E. and even Exxon/Mobil. In fact, we are the largest teachers' pension fund in the country.

How do we manage such a large pension fund? The investment portfolio at CalSTRS is broadly diversified across six major asset

classes: U.S. stocks, non-U.S. stocks, fixed income, real estate, private equity and cash. CalSTRS has a very long-term investment horizon of 20 to 40 years. As a result, the plan has an asset mix with roughly 73 percent of the assets in stock-like investments and 27 percent in fixed-income investments. Details on each asset class and a complete listing of our investments are published on the CalSTRS Web site at www.calstrs.com.

Our strategy of diversification and investing for the long term, along with our size, helps us weather the inevitable ups and downs in the stock market. So the next time you're watching the nightly news, remember that no matter what Tom Brokaw says, you can rest assured that your pension is guaranteed and your pension fund is secure.

California Educators Elect Three CalSTRS Trustees in Historic Vote

For the first time ever, current California educators elected three members to the California State Teachers' Retirement Board.

Voters chose Dana Dillon and Gary Lynes to represent kindergarten through 12th grade educators.

DANA DILLON is a library media teacher with the Weed Union Elementary School District. She spent 17 years as a member of the California Teachers Association's Retirement Committee and has served as both chair and vice-chair.

In her candidate statement Dillon said, "I'm committed to assuring that [Cal]STRS is fully funded and prudently invested to protect our benefits."

GARY LYNES is a math and science teacher in the Hillsborough City School District. Lynes was a CalSTRS board member when elections were held and served as its chair. He also served as chair of the Investment Committee.

"I will continue being an advocate for members and maintain our successful strategy of diversification. I take the challenges of this office seriously and strive to make [Cal]STRS one of the best pension funds in the nation," Lynes said in his candidate statement.

The third elected seat, representing community college faculty, has been filled by **CAROLYN WIDENER**, an English professor at West Los Angeles College. She was the only candidate who qualified for the community college seat. Widener, who was also a member of the board at the time of the election, has served as the chair of the Health Benefits Committee.

Dillon, Lynes and Widener will serve four-year terms, which

began January 1, 2004. For the 2004 term, the Teachers' Retirement Board elected Lynes as Chair and Widener as Vice-Chair. They were nominated and elected during the February board meeting and will hold these positions for one year.

Recent legislation established the election for these three seats to the 12-member Teachers' Retirement Board, which sets policy and makes rules for CalSTRS.

403bCompare Web Site Helps Eliminate the Guesswork

As of July 1, 2004, you'll have a new retirement planning tool available to you. The new 403bCompare Web site (www.403bCompare.com) will offer objective information about 403(b) products available for purchase by employees of local school districts, community colleges and county offices of education. This site, created and managed by CalSTRS, will also include an educational section with basic facts and instructions on how to use the site to your best advantage.

You'll be able to select search criteria based on the type of products that best suit your needs and view detailed information about 403(b) products that match those criteria. Your search results will allow you to compare products that interest you. And if your employer provides its list of approved vendors to the 403bCompare Web site, you'll be able to narrow your search of investment options, features and fees to only those products available in your district.

This impartial information bank will also offer general information about retirement planning, as well as links to resources that provide more in-depth information.

■ ● ▲
403b
Compare
Your Retirement Product
Information Bank

Is a Mid-Year Retirement Right for You?

If you're thinking about retiring in the middle of a school year, you need to know how it would affect your retirement benefit.



Calculating Your Final Compensation

Your monthly retirement benefit is based on your years of service, your age at retirement and your final compensation. Your final compensation is usually based on the average of your salary rate over the last 12 months, if you have at least 25 years of service, or over the last three years if you have less than 25 years of service.

However, if you retire before the school year is over, the law requires CalSTRS to use each school year included in your last 12 months to figure your final year's earnings. This means your final year of compensation is an average of the last year's earnings and what you would earn if you worked all year in the current year (see example on page 9).

The process of averaging for mid-year retirees often results in a final compensation that is lower than expected, particularly if your salary increased during the two school years. The calculation has more of an impact if you have at least 25 years of service, since your final compensation is based on fewer months.

Additional Assignments May Affect Your Benefit

Taking on additional assignments at a lower pay rate may lower your final compensation if you choose a mid-year retirement. This is because your annual compensation is prorated to your retirement date and is an average of the various pay rates you receive during that period.



What You Should Do

The year before you retire, you should talk to your CalSTRS benefits counselor to:

- Get a retirement benefit estimate
- Find out if taking on additional assignments at a lower pay rate would lower your retirement benefit
- Find out if you should work until the end of the school year if you do have additional assignments
- See if selecting a prior period for your final compensation would increase your retirement benefit

Once you've talked to a counselor you'll have the information you need to decide if a mid-year retirement is right for you.

• continued on page 9

Example of Compensation Calculation For a Mid-Year Retirement

You work July-December on a 12 pay-period contract and earn .500 year of service credit at a pay rate of \$60,000 per year in your last year of service. In the previous school year you received a pay raise in January. Here is how you would calculate your final compensation:

Step 1: Add each month's salary for the previous year and the current year.

<i>Previous Year's Monthly Pay</i>		<i>Current Year's Monthly Pay</i>	
July	\$4,500	July	\$5,000
August	\$4,500	August	\$5,000
September	\$4,500	September	\$5,000
October	\$4,500	October	\$5,000
November	\$4,500	November	\$5,000
December	\$4,500	December	\$5,000
January	\$5,000	TOTAL	\$30,000
February	\$5,000		
March	\$5,000		
April	\$5,000		
May	\$5,000		
June	\$5,000		
TOTAL	\$57,000		

Step 2: Determine what you would earn if you worked all 12 months in the current school year.

$$\$30,000 \text{ (six-month's pay)} \times 2 = \$60,000$$

Step 3: Divide both yearly salaries by 12 to find the average monthly salary in each year. Then multiply the monthly salary by 6. This gives you your average salary over 6 months for both years. Divide the total by 12 to find the final compensation that will be used to figure your retirement benefit.

$$\$57,000 \div 12 = \$4,750 \times 6 \text{ months} = \$28,500$$

$$\$60,000 \div 12 = \$5,000 \times 6 \text{ months} = \underline{\$30,000}$$

$$\$58,500 \div 12 = \$4,875$$

The Difference

If you worked the entire year, your final compensation would be \$60,000 (as shown in Step 2) and your final compensation would be \$60,000 divided by 12 or \$5,000.

Using the above example, if you retire at age 60 with 25 years of service, here is how retiring mid-year would affect your monthly unmodified benefit:

Retiring mid-year: 25 (service credit) X .02 (age factor) X \$4,875 (final compensation) = \$2,437.50
(monthly unmodified benefit)

Retiring end of year: 25 (service credit) X .02 (age factor) X \$5,000 (final compensation) = \$2,500
(monthly unmodified benefit)

The difference in your monthly unmodified benefit would be \$62.50.

What Have We Done For You Lately?

As part of our mission to secure your financial future, CalSTRS has been a strong advocate for corporate reforms. Here are the highlights of our recent efforts:

- We pushed for stronger reform of the New York Stock Exchange. CalSTRS urged the Securities and Exchange Commission to demand higher standards for disclosure, openness and transparency, along with a truly independent Board of Directors.
- We're working with other public pension funds across the country to advocate for corporate governance reforms.
- We urged the Securities and Exchange Commission to adopt a rule to open up the board election process by allowing shareholder-nominated board candidates to be listed on the proxy statement.
- We're applying the terms of the Investment Protection Standards when we evaluate financial organizations to retain or use. These standards are intended to significantly reduce conflicts of interest between research and investment banking.
- CalSTRS terminated its relationship with Putnam Investments, which managed a large-cap growth account for CalSTRS. In 2003, the company came under scrutiny for improper trading activity. The infractions did not directly affect the CalSTRS portfolio, however, CalSTRS decided other fund managers could better service the account.
- We settled a class action suit with Homestore, Inc. and are continuing to press forward to trial against two former company officers and the company's auditors. The suit accused the Internet real estate company and others with falsifying financial statements and engaging in accounting irregularities. Under the settlement, Homestore, Inc. agreed to reform its corporate policies and to pay cash and stock to the class in a total amount of approximately \$100 million based on the current stock valuation. CalSTRS CEO Jack Ehnes said that the new corporate governance protections set an example for all of Wall Street.

We'll keep you updated on these important efforts in this newsletter and in the Corporate Governance section under Investments at www.calstrs.com.



Help Protect Your Financial Health with Long-Term Care

A chronic illness or an accident requiring long-term care doesn't have to also threaten your financial well-being. Long-term care coverage may help protect your savings, your home and your other assets. Plus, you have the peace of mind knowing that you control your care choice.

As a California educator or school employee, you're eligible to sign up this spring for the Long-Term Care Program offered by the California Public Employees Retirement System. You don't have to be a member of CalPERS. Part-time and substitute teachers are also eligible. You can even enroll your spouse, parents, parents-in-law and siblings.

This is the first long-term care program in the country that is self-funded and not-for-profit.

The 2004 application period begins May 1, 2004 and ends August 31, 2004. For more information or to request an application, phone 800-338-2244 or click on Long-Term Care under the Members section at www.calstrs.com.

Organizing Your Financial Records

Use the form below to keep track of your important documents. This will help you quickly find your records when you need them the most. You may also want to let your loved ones know about this form, so they can find your information if something happens to you.

IMPORTANT DOCUMENTS

PERSONAL

Indicate the location of each document.

Birth Certificate _____	Marriage Certificate _____
Deed/Title to Property _____	Automobile Title _____
Passport _____	Social Security Card _____
Divorce Papers _____	Military Service Record _____

FINANCIAL

Indicate the bank name and account number for each account.

Bank Account (Primary) _____

Bank Account (Other) _____

Mortgage _____

Safe Deposit Box/Box Number/Location _____

INSURANCE

Indicate the insurance company, address and policy number for each policy.

Life Insurance _____

Health Insurance _____

Automobile Insurance _____

Property Insurance _____

LEGAL

Indicate the location of each document and, if applicable, an authorized individual.

Will _____

Trust _____

Power of Attorney _____

CaISTRS FORMS

Indicate the location of each document, if applicable.

One-Time Death Benefit Recipient Form _____

Pre-Retirement Election of an Option Form _____

Annual Statements _____

OTHER

Indicate the location of each item.

Extra Keys to Home, Automobile, etc. _____

Safe Deposit Box Keys _____

Is a Purchase Right for You?

To see if buying permissive service credit is right for you, you'll need to estimate both the cost to purchase the credit and how much it will increase your retirement benefit. To do this, click on *Calculators* on the CalSTRS Web site.

Start with the *Retirement Benefits Calculator* to see your approximate monthly benefit at retirement with and without the extra service credit. Then use the *Permissive Service Credit Calculator* to estimate the cost of the purchase. Please keep in mind that this calculator shows the current cost of permissive service credit, not the increased cost.

How Much Will the Cost Increase?

The cost for permissive service credit depends on your highest annual earnable salary during the last three years. Beginning July 1, it will also depend on your age. The table below shows you approximately how much the cost to buy one year of permissive service credit will increase if your highest earnable salary is \$50,000.

How Much More Money Will I Get Each Month?

In the above example, if you retire at age 60 with 28 years of service credit and a final yearly compensation of \$50,000, your retirement benefit would increase by \$83 a month if you buy one year of service credit.

However, if you have 29 years of service credit, buying one year of permissive service credit brings your total service credit to 30 years. Now you're eligible for a longevity bonus of \$200 per month. The career factor also kicks in with 30 years of service credit, boosting the age factor for someone who is 60 from 2 percent to 2.2 percent. This means instead of receiving \$83 more a month when you buy one year of service credit with 29 years of service credit, you'll receive \$292 more a month.

In this example, if your total service credit reaches 31 instead of 30, your monthly benefit increases by \$392 because your longevity bonus increases by another \$100. With 32 years of service credit it would increase another \$100 to \$492. (Read more about the longevity bonus and career factor in Chapter 5 of the *Member Handbook*.)

Effective Date	Age Group	Years to purchase	Contribution Rate*	Highest Annual Salary	Cost	Cost Increase
Current	All Ages	1.00	16.497%	\$50,000	\$8,248	-----
As of July 1	20 – 29	1.00	18.6%	\$50,000	\$9,300	+ \$1,052
	30 – 39		18.8%		\$9,400	+ \$1,152
	40 – 49		19.5%		\$9,750	+ \$1,502
	50 – 59		23.9%		\$11,950	+ \$3,702
	60 and over		27.7%		\$13,850	+ \$5,602

**This is only an example to show you approximately how much the rates will increase. The actual rates for 2004–2005 are subject to change before July 1.*

To calculate your own cost to purchase service credit before the increase:

- 1. Multiply the number of years you want to purchase by the current rate of 16.497 percent for all ages.
- 2. Multiply the result by your current salary to find the cost.

To get an estimate of what it would cost you after July 1, repeat the above steps using the new contribution rate according to your age as shown in the above table.

• continued on page 13

How to Buy Service Credit

If you decide a purchase is right for you, complete and return the *Redeposit or Purchase of Permissive or Nonqualified Service Credit* form. You can download this form from the CalSTRS Web site, order it by calling us at 800-228-5453 or find it in the *Purchase Additional Service Credit* brochure.

To buy permissive service credit at the current cost, you must send your request form to CalSTRS postmarked before July 1, 2004. This does not commit

you to buying the service credit. Once we send you a billing statement, you have 35 days to make a decision. You can pay in a lump sum, in up to 120 monthly installments through payroll deduction or with a rollover. The purchase must be completed before your retirement date.

Sending your request form in now is a simple step that could make a significant, long-term difference in your future.



Make the Move with a CalSTRS Home Loan

If you're ready to buy or refinance your home, the CalSTRS Home Loan Program can help. We're improving our program to make your move easier. By the summer of 2004, with our new state-of-the-art service you'll have:

- Your loan serviced by Countrywide, one of the most respected home lenders in the country with...
 - Mortgage lending experts to walk you through each step in the process, so you won't be surprised by hidden fees or last-minute changes
 - A servicing system to help you resolve questions once your loan has closed

- Ease of access to all lenders in the CalSTRS Home Loan Program. Visit the Home Loan section at www.calstrs.com and you'll find a list of participating lenders by county and city, so you can find a nearby lender.
- A variety of options to purchase your home and pay for your down payment.

CalSTRS also has competitive rates and loan options to help you buy your home, including:*

- Conventional 30- or 15-year fixed rate
- Zero Down—borrow 95 percent of the loan value with an additional 5 percent financed through a deferred-payment second mortgage
- 80/17—borrow 80 percent of the loan with a 17 percent deferred-payment second mortgage and a 3 percent down payment

Whether you're dreaming of buying a new home, lowering your existing payments or taking cash out, see how the CalSTRS Home Loan Program can help. For more information and future updates, check out the Home Loan Program at www.calstrs.com.

* Not all participating lenders offer all home loan programs. Ask for details.

Find Out How New Bills May Affect You

New bills that may affect CalSTRS members are being considered by the California Legislature this year. Summaries of each bill are given below. More information is available on line at www.calstrs.com. If these bills become law, they would take effect on January 1, 2005, unless otherwise indicated. Changes in benefits apply only to members who retire after the law's effective date.



AB 1852—State Teachers' Retirement

- Allows earnings from three non-consecutive years to be used to calculate final compensation
- Permits a member who is at least 50 years old to retire with 25 years of service credit instead of 30 years
- Permits members to receive their longevity bonus as a one-time lump sum subject to certain limitations

AB 2036—Benefit Enhancement for CalSTRS/CalPERS members

Allows community college instructors who are concurrent members of the Defined Benefit Program and CalPERS to use a portion of their CalPERS service credit to qualify for CalSTRS benefit enhancements.

AB 2232—Service Credit for Unused Sick Leave

Makes changes to the calculation used to determine the amount of service credit granted for unused sick leave. Under this bill, service credit would be determined by dividing the number of accumulated sick days by the greater of:

1) the number of days of service required for that member's class of employees in a school year, or 2) the minimum number of days that comprise full-time service for that member.

In addition, the Legislature will continue to consider the following bills introduced in 2003:

AB 265—Supplemental Benefit Maintenance Account Contributions

Makes changes to the General Fund contribution to the Supplemental Benefit Maintenance Account between fiscal years 2004-2005 and 2010-2011. This is to replace the reduction made in 2003-2004.

AB 1586—Part-time Community College Instructor Benefits

Allows the recalculation of benefits paid to part-time adult education and community college employees who were members of the Defined Benefit Program before July 1, 1996.

SB 102—Unused Sick Leave for Benefit Enhancement

Allows up to two-tenths of one year of unused sick leave to count towards qualifying for one-year final compensation, longevity bonus and other benefit enhancements.

Statutory changes are made from time to time that affect CalSTRS benefits and that may affect any decisions you make in relation to those benefits. These changes are made by the California Legislature and the Governor. Although CalSTRS makes every effort to keep its members informed about changes in its benefit structure, we cannot safely predict what the Legislature and Governor may do that might be of interest to you. For this reason, you should keep yourself informed about possible benefit changes by consulting the CalSTRS Web site (www.CalSTRS.com), CalSTRS Member Services (1-800-228-5453), CalSTRS benefits counselors, your union representative (if applicable), your legislative representative and any other source that you believe may be helpful to you before you make any final decision. You are ultimately responsible for any decision you make in regard to your CalSTRS benefits.

Save Pre-Tax Money with VIP

The Voluntary Investment Program, or VIP, is a 403(b) plan that helps you save pre-tax money.

VIP offers you:

- ✓ Free financial advice that is objective and personalized. The CitiStreet Advisor Service, powered by Financial Engines, can help you set savings goals and evaluate investment decisions.
- ✓ Investment flexibility with 12 investment options selected by CalSTRS, your trusted pension provider. You have a well-diversified selection of funds to choose from—including funds from well-known fund families such as Vanguard, Fidelity and Dodge & Cox.
- ✓ Enhanced online trading through the Mutual Fund Window, a self-managed account, with thousands of mutual funds to choose from
- ✓ Automatic, pre-tax deductions from your paycheck make it easy to save
- ✓ Low administrative fees with the savings passed on to you
- ✓ Access to your money when you need it for a financial emergency
- ✓ Portability so you can take it with you if you change jobs

To join or for more information, call the CalSTRS VIP line today at 800-699-4032 or visit the VIP section at www.calstrs.com.



The CalSTRS Mission Statement

Securing the financial future and sustaining the trust of California's educators

Teachers' Retirement Board

Gary Lynes, Chair
Carolyn A. Widener, Vice Chair
Dana Dillon
Phil Angelides, State Treasurer
Donna Arduin, Director of Finance
Jack O'Connell, Superintendent of Public Instruction
Steve Westly, State Controller

Jack Ehnes, Chief Executive Officer
Christopher J. Ailman, Chief Investment Officer

Sherry Reser, Managing Editor
Kathy Boltz, Editor

Statements in this publication are general and the Teachers' Retirement Law is complex and specific. If a conflict arises between information contained in this publication and the law, any decisions will be based on the law and not on this publication.

The *Bulletin* is published twice a year for active and inactive members of the Defined Benefit Program and participants in the Cash Balance Benefit Program of the California State Teachers' Retirement System. Comments or suggestions may be directed to: Editor, Communications, MS #34, P.O. Box 15275, Sacramento, CA 95851.



Printed on recycled paper



California State Teachers'
Retirement System
P.O. Box 15275
Sacramento, CA 95851-0275

PRSRT STD
U.S. POSTAGE
PAID
PERMIT NO. 25
SACRAMENTO, CA

How to Reach Us



Visit the CalSTRS Web site

www.calstrs.com

Use *Contact CalSTRS* to e-mail



Write CalSTRS

California State Teachers'
Retirement System
P.O. Box 15275
Sacramento CA, 95851-0275



Phone CalSTRS

800-228-5453

916-229-3870

916-229-3541 for TTY for hearing
impaired person.



Fax CalSTRS

916-229-3879

When contacting CalSTRS, be sure to
include your Social Security number.

Inside the Bulletin

FIND OUT ...

1
Why You Should Consider Buying Permissive Service Credit Now

3
How Free Seminars Can Help Plan Your Financial Future

4
How Much Money You'll Need to Retire Stress-Free

8
If a Mid-Year Retirement is Right for You

14
How Proposed New Legislation May Affect You